frank admission that he was ''deeply dismayed'' that the premise of enlightened self-interest had failed to work. Now we are learning, not surprisingly, that fraud and lawlessness were key ingredients in the collapse as well.

As we turn to financial regulatory reform, we must remember that effective regulation requires not only motivated and competent regulators but also clear lines drawn by Congress. Based on what we have learned, what must we do?

First, we must undo the damage done by decades of deregulation. That damage includes financial institutions that are too big to manage and too big to regulate—as former FDIC Chairman Bill Isaac has called them: too big to manage, too big to regulate. It also includes a Wild West attitude on Wall Street, in which conflict of interests are rampant and lead to fraudulent behavior as well as colossal failures by accountants and lawyers who misunderstand or disregard their role as gatekeepers. The rule of law depends, in part, on having manageably sized institutions, participants interested in following the law, and gatekeepers motivated by more than a paycheck from their clients.

That is why I believe we must separate commercial banking from investment banking activities, restoring a modern version of the Glass-Steagall Act to end the conflicts of interest at the heart of the financial speculation undertaken by mega banks that are too big to fail. We further should limit the size of bank and nonbank institutions, something Senator SHERROD BROWN and I proposed in legislation we intend to introduce this Wednesday. Otherwise, we will continue to bear these mega banks' claims that they are merely market makers and no one who deals with them should trust whether the very creator of a financial product they sell is secretly betting against its success.

Second, we must help regulators and other gatekeepers not only by demanding transparency but also by providing clear, enforceable rules of the road wherever possible. One clear lesson of the Goldman allegations is, we need greater transparency and disclosure of counterparty positions in the over-the-counter derivatives market. We should mandate that derivatives are traded on an exchange or at least essentially cleared. The rare exemption should carry with it a reporting requirement so that all counterparties understand the positions being taken by other clients of the dealer firm.

Clearly, we need to fix a broken securitization market. No market, regardless of how sophisticated its participants, can function without proper transparency and disclosure. While I am pleased that the current reform bill would direct the SEC to issue rules requiring greater disclosure regarding the underlying loans in an asset-backed security, I believe we must go further still. Requirements for disclosure should not merely begin and end at issuance. Instead, disclosure should be automated, standardized, and updated on a timely basis. This will provide investors with relevant information on the performance of the loans, their compliance with relevant laws—fraudulent origination, for example, is generally uncovered after the fact—and the replacement of new collateral. This information should empower investors and countervail the malfeasance of issuers looking to adversely select dodgy collateral that they are also shorting on the side. Moreover, such real-time monitoring by investors would also have beneficial effects further up the securitization supply chain. If originators know they can't get away with selling fraudulent or poorly underwritten loans, they will also be forced to improve their standards.

While not a silver bullet, I am also generally supportive of requirements that those who originate and securitize loans retain risk by keeping some percentage on their very own balance sheets. WaMu, for example, developed, in Senator LEVIN's words, a ''conveyor belt'' that originated, packaged, and dumped toxic mortgage products downstream to unsuspecting investors. Their lack of ''skin in the game'' allowed them to make a mockery of the originate-to-distribute model. While Bear Stearns, Lehman Brothers, and other firms faltered due to their excessive retention of risk, this basic requirement will better align the interests of originators and securitizers with those of investors.

Moreover, a clear lesson of the Levin hearings is that Congress must ban the widespread issuance of stated income loans.

I understand Senator LEVIN is developing further reform proposals based on his conclusions from the hearings.

Third, we must concentrate law enforcement and regulatory resources on restoring the rule of law to Wall Street. We must treat financial crimes with the same gravity as other crimes because the price of inaction and a failure to deter future misconduct is enormous. That is why I'm pleased the SEC is turning the page on its recent history and sending a message throughout Wall Street: fraud will not pay.

Madam President, last week's revelations about Washington Mutual and Goldman Sachs reinforce what I've been saying for some time. Deregulation was based on the view that rational actors would operate in their own self-interest within a framework of law. But even with the most rigorous regulators, it is impossible to trace the financial self-interest of convoluted financial conglomerates, much less constrict their behavior before it runs afoul of the law. WaMu made loans they knew could not be paid back. Goldman Sachs allegedly permitted clients to take secret positions against the very financial products that it had created.

The picture being revealed by the jigsaw puzzle of multiple investigations is now emerging clearly in my eyes. These financial institutions are too big and conflicted to manage, too big and conflicted to regulate, and too big to fail. Even Alan Greenspan has said about our current predicament: ''If they're too big to fail, they're too big.''

Our country took a giant step backwards during the last financial crisis, upending the dream of home ownership for millions of Americans, and throwing millions of people out of work as well. The credibility of our markets, one of the pillars of our economic success, was badly damaged. It must be restored. There must be structural and substantive change to Wall Street, where bankers must resume their central role of efficiently allocating capital, not taking bets in opaque markets that no one can understand.

The solution is clear. We must split up our largest financial institutions into more manageable entities; we must separate their component parts so they are no longer inherently conflicted and so they can be properly regulated. Only then, if necessary, can they be allowed to fail without sending our entire economy to the precipice of disaster.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DURBIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURBIN. Madam President, I ask unanimous consent that any recess, adjournment, or period of morning business count postcloture; that following a period of morning business on Tuesday, April 20, the Senate resume executive session, and that the time until 12 noon be equally divided and controlled between Senators BAUCUS and GRASSLEY or their designees, with Senator BUNNING controlling 15 minutes of the time under the control of Senator GRASSLEY; that at 12 noon, all postcloture time be considered expired, and the Senate then proceed to a vote on confirmation of the nomination of Lael Brainard to be Under Secretary of the Treasure; that upon confirmation, the motion to reconsider be considered made and laid upon the table, and no further motions be in order; that the President be immediately notified of the Senate's action; that the Senate then stand in recess until 2:15 p.m.; that upon reconvening at 2:15 p.m., the Senate proceed to Calendar No. 165, the nomination of Marisa Demeo, to be associate judge of the DC Superior Court; that there be up to 6 hours of debate with respect to the nomination, with the time equally divided and controlled between the leaders or their designees; that upon the use or yielding back of time, the Senate proceed to vote on confirmation of the nomination; that upon confirmation the motion to reconsider be considered made and laid